

[REDACTED]
[REDACTED]
[REDACTED]
MAY 21 1987

CERTIFIED MAIL:

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code.

The data submitted discloses you were incorporated on [REDACTED] under the laws of the State of [REDACTED]. You state your society is instituted for the assistance and association of natives of [REDACTED] and their descendants, who are members of the [REDACTED]. In addition, you promote good will and camaraderie among members of the society and sponsor social activities with a view towards aiding and furthering religious, educational and charitable causes.

Your activities consist of holding monthly meetings at various [REDACTED] establishments in the [REDACTED] area where beer and snacks are provided for the members, participating in the [REDACTED] festival and the [REDACTED] Parade, selling tickets at the [REDACTED] reception, assisting in the restoration of [REDACTED], participating in memorial services for deceased departmental members, visiting the [REDACTED] to visit patients and present gifts and the selling of T-shirts to members.

At the [REDACTED] Festival the members of the society participate with other [REDACTED] organizations under an oversight committee which has overall responsibility and control of the festival.

Membership in the organization is accorded all members and retired members of the [REDACTED] who are natives or descendants of natives of [REDACTED].

Your income is derived from membership dues, fund raising events, shared receipts from the [REDACTED] festival and [REDACTED] club raffles.

During the period of [REDACTED] through [REDACTED], sixty three percent of your expenditures were expended for 50/50 raffles and the sickness and death committees. In [REDACTED] over forty-seven percent of your income was expended for non-charitable purposes.

Section 501(c)(3) of the Code provides for the exemption of organizations which are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes.

Section 1.501(c)(3)-1(a)(1) of the income tax regulations states that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If an organization does not meet either the organizational or operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(1) of the regulations states that an organization is organized exclusively for one or more exempt purposes only if its articles of organization limit the purposes and do not expressly empower it to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of the one or more exempt purposes.

In *Better Business Bureau vs. U.S.*, 326 U.S. 279, the Supreme Court stated that the presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption, under Code section 501(c)(3), regardless of the number or importance of truly exempt purposes.

In Revenue Ruling 64-182, 1964 C.B. 1, 186 an organization was held to be exempt under section 501(c)(3), where it was shown to be carrying on through contributions and grants a charitable program commensurate in scope with its financial resources.

Your primary activities, holding monthly meetings at [REDACTED] establishments in the [REDACTED] area, participating in the [REDACTED] festival and [REDACTED] parade and the sale of 50/50 drawings are not "charitable" activities within the purview of section 501(c)(3) of the Code. The securing of contributions for the burn unit appears to be incidental to your overall activities. Your income and expenditures indicate that you are primarily a social club with an incidental charitable purpose. The nature of the club appears to benefit your membership which is restricted to [REDACTED] members of the [REDACTED].

[REDACTED]

Therefore, on the basis of the evidence presented we find you are not operating exclusively for exempt purposes under section 501(c)(3) of the Code.

In addition, your creating document, the Articles of Incorporation, does not meet the organizational test under section 501(c)(3) of the Code. Your stated purposes are "social" in nature and not "charitable within the purview of section 501(c)(3) of the Code.

We have concluded you are not an organization described in section 501(c)(3) of the Code. You do not qualify under any other section of 501(c).

Contributions made to your organization are not deductible. You are therefore, required to file Federal income tax returns on Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Also, the appropriate state officials will be routinely notified of this action in accordance with section 6104(c) of the Code.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "a declaratory judgement or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determine that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

[REDACTED]

[REDACTED]

District Director

Enclosure: Publication 892